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STUDY PROJECT

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SHOULD FOREIGN MILITARY SALES TO SPAIN BE INCREASED?

BY

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SHOULD FOREIGN MILITARY SALES TO SPAIN BE INCREASED?

An Individual Study Project
Intended for Publication

by

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ABSTRACT

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> Foreign Military Sales (FMS) is a popular topic and a common subject for magazines and newspapers, but people, at least in Spain, think about it as a business for buying and selling military equipment. This paper seeks to clarify the FMS concept as a broader component of Security Assistance, and to analyze it from the Spanish point of view considering its political-military, economical, and industrial factors. It also tries to make recommendations for the Spanish and American side, and to define benefits for both countries if FMS can be increased. 72201 58

SHOULD FOREIGN MILITARY SALES TO SPAIN BE INCREASED?

Foreign Military Sales as a component of the Security Assistance Program help establish productive relationships with other countries. However, it has been a polemic subject in the United States and Spain.

In order to answer the question of whether Military Sales to Spain should be increased, I will try to analyze, first, the Foreign Military Sales (FMS) concept and its development on Spanish matters; then, the conditions and limitations of Spain from the point of view of its political-military, economical, and industrial role today; and lastly, the United States power in Spain and its policy concerning FMS.

My recommendations will focus on cooperation in the context of the new Spanish situation as a NATO member, and my conclusions will define possible benefits for both countries.

FOREIGN MILITARY SALES

To understand the Foreign Military Sales concept it is necessary to understand the wider role of Security Assistance in U.S. National Strategy.

Frank C. Carlucci, former Secretary of Defense, in a statement before the House Foreign Affairs Committee in March 9, 1988, said:

. . . Military Assistance gives countries very tangible incentives to support U.S. policy, and demonstrates that we have an interest that goes beyond rhetoric. It also helps countries achieve the security they need to develop successful economics and open political systems. . . . Military Assistance is also cost effective. By enlisting the support of friends and allies, it achieves real security objectives at far less expense than could be achieved by the United States on its own. This point is particularly salient in light of the decline in real U.S. defense spending. More than ever, we must squeeze the most we can from every dollar which contributes to our national security.

Security Assistance main function consists of enabling friendly countries to resist externally supported violence and destabilization efforts. Apart from enhancing military capabilities, it promotes the political and economic reforms necessary for the development of democratic institutions and progress toward economic and social justice.

The second function of Security Assistance is to produce direct domestic benefits in terms of employment, export sales, investment opportunities, and access to raw materials for American industry.

To achieve these objectives, Security Assistance provides programs such as:

- o Military Assistance Program (MAP):

- oo MAP grant funding assists allies and friends in financing the procurement of defense articles and services to help strengthen their self-defense capabilities. Without grant aid, many countries would have to divert scarce domestic resources from economic development to purchase military equipment and training.

- oo Established under the Mutual Defense Assistance Act of 1949, MAP originally provided for the loan or grant of military equipment, materials, and services to allied and friendly nations. In line with U.S. foreign policy interests, from 1950 to 1963, the MAP program was directed mainly toward Europe to contain the Soviet challenge. Subsequently, the United States provided MAP grants primarily to areas of the developing world where U.S. security interests were threatened.

- oo From the mid-1960s until the mid-1970s the East Asia and Pacific regions accounted for the greatest percentage of MAP assistance because of the war in Vietnam.

oo Beginning in 1983, MAP assistance has been gradually increased to reach 467 million dollars in Fiscal Year 1989.

o Economic Support Fund (ESF):

oo The ESF advances U.S. economic, political, and security interests by offering economic assistance to allies and developing countries of strategic concern to the United States. By fostering economic development and reform, ESF helps alleviate the economic and political disruption that can threaten the security and independence of key allies and friends.

oo ESF is used primarily to provide balance of payments support and to finance commodity import programs to ensure the acquisition of critical raw materials and capital goods when foreign exchange is not available. ESF also finances infra-structure development and other capital and economic development projects.

o International Military Education and Training Program (IMET):

oo The IMET program is a grant aid, low-cost foreign policy instrument that provides a valuable channel of communications and influence with foreign military forces worldwide. Training has long been considered to be a more cost-effective force multiplier than any other form of security assistance.

oo IMET program have trained more than 540,000 officers and enlisted personnel representing more than 120 countries. Training has taken place in more than 2,000 different specialties, from basic technical skills to professional military education. In addition, English language training, which is essential to training in CONUS, contributes to a greater understanding of U.S. society, institutions, and ideas.

o In addition to teaching military skills and U.S. military doctrine, the IMET program not only supplements other countries' indigenous training efforts, but also provides significant opportunities for future access to the

civilian and military leadership of other countries. A significant number of IMET trained military leaders are likely to hold positions of prominence in their countries.

- o Special Defense Acquisition Fund (SDAF):

- oo The SDAF is a revolving fund, established in 1982 to finance the acquisition of defense items and services in anticipation of authorized Foreign Military Sales. The SDAF enhances the United States Government's ability to meet urgent foreign needs for military equipment while minimizing adverse impacts on the readiness of U.S. forces. The Department of Defense (DOD) is responsible for its management and the Defense Security Assistance Agency (DSAA) is the executive agent responsible for day-to-day operation of the fund.

- oo The SDAF has become a very useful foreign policy tool which also promotes cooperative planning by allied and friendly governments. SDAF also benefits the broader military assistance effort, for its purchases result in lower unit costs than for programs financed by MAP and FMS credits.

- oo Annual U.S. defense production is significantly enhanced by SDAF procurements. These include extending production lines, achieving higher levels of production, and establishing favorable contracts for these items from current and projected procurement.

- o Peacekeeping Operations (PKO):

- oo The Foreign Assistance Act of 1961, Part II, Chapter 6, authorizes assistance to friendly countries and international organizations for peacekeeping operations which further U.S. national security interests.

- oo The United Nations Force in Cyprus (UNFICYP) and the Multinational Force and Observers (MFO) in the Sinai are two such international PKO

organizations. The United States Administration is requesting \$31.689 million in 1989 in support of both UFICYP and the MFO.

- o Foreign Military Sales Financing Program (FMS):

- oo The FMS credit program enables allies and friends of the United States to strengthen their self-defense capabilities by acquiring U.S.-origin military articles, services and training. For fiscally-constrained countries where security interests coincide with those of the United States, the high costs of modern defense equipment make it difficult to obtain defense equipment and related services on a cash basis.

- oo The FMS financing program permits friendly nations to share the burdens of collective security. By providing such financing, the United States lessens the likelihood of direct U.S. military involvement during situations of instability and conflict, thereby helping to reduce demands on U.S. military resources.

- oo The FMS financing program was initiated in 1954. In 1971, FMS financing exceeded grant assistance for the first time. Because of increased emphasis on cash sales in the late 1970s, the number of grant recipients and the size of the grant program decreased steadily through the 1980s. In 1985, Congress expressed concern about the high interest rate of FMS and prompted a legislative mandate for non-repayable FMS financing for some countries, and concessional (lower interest rate) loans for other selected countries.

In the Spanish case, only FMS and IMET programs have recently provided funds for developing Security Assistance. Table 1 shows the money assigned for Security Assistance Programs in the fiscal year of 1989. As we can see, Spain will receive 2.9 million dollars in the IMET program, being the second largest in the world after Turkey.

TABLE 1

FY 1989 SECURITY ASSISTANCE PROGRAMS
BUDGET AUTHORITY
(DOLLARS IN THOUSANDS)

	ECONOMIC SUPPORT	FMS FORGIVEN	MAP (GRANTS)	IMET (GRANTS)	PKO	TOTAL
AFRICA:						
AFRICA CIVIC ACTION	0	0	5,000	0	0	5,000
BENIN	0	0	0	75	0	75
BOTSWANA	0	0	4,000	350	0	4,350
BURKINA FASO	0	0	0	100	0	100
BURUNDI	0	0	0	140	0	140
CAMEROON	0	0	0	250	0	250
CAPE VERDE	0	0	0	50	0	50
CENTRAL AFRICAN REPUBLIC	0	0	500	180	0	680
CHAD	10,000	0	10,000	250	0	20,250
COMOROS	0	0	0	40	0	40
CONGO	0	0	0	40	0	40
DJIBOUTI	3,200	0	2,000	135	0	5,335
EQUATORIAL GUINEA	0	0	0	75	0	75
GABON	0	0	0	200	0	200
GAMBIA	0	0	0	100	0	100
GHANA	0	0	0	225	0	225
GUINEA	0	0	0	150	0	150
GUINEA-BISSAU	0	0	0	50	0	50
IVORY COAST	0	0	0	150	0	150
KENYA	10,000	0	13,000	1,200	0	24,200
LESOTHO	0	0	0	50	0	50
LIBERIA	7,000	0	1,000	800	0	8,800
MADAGASCAR	0	0	1,000	75	0	1,075
MALAWI	0	0	1,200	250	0	1,450
MALI	0	0	0	150	0	150
MAURITANIA	0	0	0	100	0	100
MAURITIUS	0	0	0	50	0	50
NIGER	0	0	2,000	250	0	2,250
NIGERIA	0	0	0	100	0	100
RWANDA	0	0	0	75	0	75
SAO TOME & PRINCIPE	0	0	0	50	0	50
SENEGAL	10,000	0	2,000	475	0	12,475
SEYCHELLES	3,000	0	0	40	0	3,040
SIERRA LEONE	0	0	0	70	0	70
SOMALIA	23,000	0	17,000	1,100	0	41,100
SOUTH AFRICA REPUBLIC	3,300	0	0	0	0	3,300
SUDAN	12,000	0	5,000	1,000	0	18,000
SWAZILAND	0	0	0	50	0	50
TANZANIA	0	0	0	35	0	35
TOGO	0	0	0	75	0	75
UGANDA	0	0	0	150	0	150
ZAIRE	0	0	10,000	1,200	0	11,200
ZIMBABWE	0	0	0	200	0	200
REGIONAL TOTAL	81,500	0	73,700	10,105	0	165,305
AMERICAN REPUBLICS:						
ARGENTINA	0	0	0	125	0	125
BAHAMAS	0	0	0	60	0	60
BELIZE	2,000	0	500	100	0	2,600
BOLIVIA	25,000	0	5,000	400	0	30,400
BRAZIL	0	0	0	125	0	125
CENTRAL AMERICA REGIONAL	10,000	0	0	0	0	10,000
CHILE	0	0	0	50	0	50
COLOMBIA	0	0	5,000	950	0	5,950
COSTA RICA	70,000	0	1,500	230	0	71,730
DOMINICAN REPUBLIC	25,000	0	2,000	700	0	27,700
EASTERN CARIBBEAN	15,000	0	5,000	400	0	20,400
ECUADOR	9,000	0	3,000	650	0	12,650
EL SALVADOR	185,000	0	95,000	1,500	0	281,500
GUATEMALA	80,000	0	5,000	400	0	85,400
GUYANA	0	0	0	50	0	50
HAITI	0	0	0	550	0	550
HONDURAS	87,000	0	60,000	1,200	0	148,200
JAMAICA	25,000	0	3,500	300	0	28,800
LATIN AMERICA & CARIBBEAN REGL	12,500	0	0	0	0	12,500

TABLE 1

FY 1989 SECURITY ASSISTANCE PROGRAMS (CONTINUED)
BUDGET AUTHORITY
(DOLLARS IN THOUSANDS)

	ECONOMIC SUPPORT	FMS FORGIVEN	MAP (GRANTS)	IMET (GRANTS)	PRO	TOTAL
<u>AMERICAN REPUBLICS (CONT):</u>						
MEXICO	0	0	0	225	0	225
PACAMS	0	0	0	2,100	0	2,100
PANAMA	0	0	0	445	0	445
PARAGUAY	0	0	0	125	0	125
PERU	2,000	0	0	560	0	2,560
SURINAME	0	0	0	50	0	50
TRINIDAD & TOBAGO	0	0	0	75	0	75
URUGUAY	0	0	0	125	0	125
VENEZUELA	0	0	0	125	0	125
REGIONAL TOTAL	547,500	0	185,500	11,620	0	744,620
<u>EAST ASIA & PACIFIC:</u>						
ASIA/NEAR EAST REGIONAL	12,500	0	0	0	0	12,500
BRUNEI	0	0	0	50	0	50
BURMA	0	0	0	260	0	260
CAMBODIAN RESISTANCE	5,000	0	0	0	0	5,000
FIJI	0	0	300	50	0	350
INDONESIA	0	0	10,000	1,900	0	11,900
KOREA	0	0	0	1,800	0	1,800
MALAYSIA	0	0	0	1,100	0	1,100
PAPUA NEW GUINEA	0	0	0	50	0	50
PHILIPPINES	124,000	0	110,000	2,600	0	236,600
SINGAPORE	0	0	0	50	0	50
SOLOMON ISLANDS	0	0	0	30	0	30
SOUTH PACIFIC REGIONAL	11,200	0	0	0	0	11,200
THAILAND	5,000	0	45,000	2,200	0	52,200
TONGA	0	0	0	50	0	50
REGIONAL TOTAL	157,700	0	165,300	10,140	0	333,140
<u>EUROPE & CANADA:</u>						
AUSTRIA	0	0	0	60	0	60
CYPRUS	3,000	0	0	0	0	3,000
FINLAND	0	0	0	60	0	60
GREECE	0	350,000	0	1,130	0	351,130
ICELAND	0	0	0	40	0	40
IRELAND	0	0	0	30	0	30
MALTA	0	0	0	50	0	50
PORTUGAL	60,500	100,000	0	2,550	0	163,050
SPAIN	0	0	0	2,900	0	2,900
TURKEY	70,000	550,000	0	3,500	0	623,500
YUGOSLAVIA	0	0	0	100	0	100
REGIONAL TOTAL	133,500	1,000,000	0	10,420	0	1,143,920
<u>NEAR EAST & SOUTH ASIA:</u>						
AFGHAN HUMANITARIAN	22,500	0	0	0	0	22,500
ALGERIA	0	0	0	100	0	100
BANGLADESH	0	0	0	300	0	300
EGYPT	815,000	1,300,000	0	1,650	0	2,116,650
INDIA	0	0	0	500	0	500
ISRAEL	1,200,000	1,800,000	0	0	0	3,000,000
JORDAN	18,000	48,000	0	1,800	0	67,800
LEBANON	300	0	0	475	0	775
MALDIVES	0	0	0	30	0	30
MOROCCO	15,000	40,000	0	1,450	0	56,450
NEPAL	0	0	500	100	0	600
OMAN	15,000	0	0	150	0	15,150
PAKISTAN	250,000	240,000	0	915	0	490,915
SRI LANKA	0	0	0	160	0	160
TUNISIA	12,500	30,000	0	1,450	0	43,950
YEMEN	0	2,000	0	1,000	0	3,000
REGIONAL TOTAL	2,348,300	3,460,000	500	10,080	0	5,818,880

TABLE 1

FY 1989 SECURITY ASSISTANCE PROGRAMS (CONTINUED)
BUDGET AUTHORITY
(DOLLARS IN THOUSANDS)

	ECONOMIC SUPPORT	FMS FORGIVEN	MAP (GRANTS)	IMET (GRANTS)	PKO	TOTAL
<u>NON-REGIONAL:</u>						
DEOB/REOB AUTHORITY	12,500	0	0	0	0	12,500
GENERAL COSTS	0	0	42,000	135	0	42,135
MULTINATL. FORCE & OBSERV. (MFO)	0	0	0	0	24,377	24,377
UN FORCES IN CYPRUS	0	0	0	0	7,312	7,312
NON-REGIONAL TOTAL	<u>12,500</u>	<u>0</u>	<u>42,000</u>	<u>135</u>	<u>31,689</u>	<u>86,324</u>
TOTAL BUDGET AUTHORITY	<u>3,281,000</u>	<u>4,460,000</u>	<u>467,000</u>	<u>52,500</u>	<u>31,689</u>	<u>8,292,189</u>

FMS, another program that provides Security Assistance to Spain has been working satisfactorily from 1953 in the two possible ways, with non-repayable and concessional (repayable) funds. Only repayable funds are currently available to Spain. The Spanish purchase of seventy-two F-18 aircraft, ordered in 1983 and to be delivered between 1986 and 1990, means about seventy percent of the total FMS program to Spain. This is a good example of FMS employment. The FMS financing program is an intelligent way to conduct sales to Spain. We should promote to continue using it due to the previous experience without any deserving complaint to be mentioned.

POLITICAL-MILITARY CONSIDERATIONS

Political-Military considerations can be seen as the main factor for analyzing Spain's position in military sales. I will examine only the Spanish role in NATO after the approved 1986 Referendum, the Spain-U.S. agreements signed in October 1988, and the current Spanish policy for military sales.

On 21 March 1986, nine days after the Gonzalez government consulted the people in a referendum about the Spanish contribution to NATO, Spain signed NATO's Nuclear Planning Group communique for the first time, having until then been present only as an observer.

On 22 May 1986, Spain signed the final communique of the NATO Defense Planning Committee. By then the Spanish government had submitted a memorandum to the NATO authorities listing the Spanish future participation. This memorandum contained the following points:

- o Spain would participate fully in the Atlantic Council and its subordinate bodies.
- o Spain's position in respect to nuclear weapons would not prevent its participation in the Nuclear Planning Group.

- o The Spanish contribution to collective defense would take place outside the integrated military structure.

- o In order to achieve the desired coordination in terms of planning and strategy, Spain would continue to be present at the Defense Planning Committee. To this end, Spanish military representatives ought to be appointed who would be responsible for liaison with the major NATO commands.

- o Spain would participate in the planning cycle, run by the Defense Planning Committee.

- o Spain would take part in logistical coordination, the development of equipment and supplies and in civil defense measures, leaving open its form of participation in the integrated communications system.

- o Spain would negotiate its contribution to the infra-structure and military budgets.

- o Spain would nominate candidates for posts on the International Staff, in proportion to its level of contribution, and for the International Military Staff to an extent compatible with its non-participation in the integrated military structure.

- o Finally, Spain would start formulating concrete proposals for debate by the appropriate bodies.

In February 1988, the NATO Defense Planning Committee approved the Spanish military contribution model which consists of:

- o To guarantee, in so far as possible, the security of the Iberian peninsula.

- o To contribute to the strengthening of the defense of the western Mediterranean flank.

- o To participate in the task of keeping the Atlantic routes open and, if necessary, guarantee the aeronaval passage between the United States and Spain in the event of conflict.

- o To monitor and control the two approaches to the Straits of Gibraltar.

- o The integration of the Spanish air-warning network into NADGE (NATO air defense ground environment), which will significantly enhance its monitoring capacity.

- o To allow the use of Spanish territory as a logistical base for rear theater operations.

After February 1988, a negotiation process was initiated for fixing the guidelines to regulate the needed coordination between NATO and the Spanish military contribution model. The guidelines will establish levels of command to sign the agreements, and, more important, the details of Spanish contributions after coordination with Portugal, responsible for CINCIBERLANT (Commander-in-Chief Iberian Atlantic Area), United Kingdom, responsible for GIBMED (Mediterranean Command in Gibraltar), and the United States, with vital interests in the area. This process will continue during 1989 and, possibly, 1990 because coordination of all interests appears difficult.

Surprisingly, at least for some Spaniards, Ceuta and Melilla, the two Spanish cities in North Africa, do not appear as one of the six military contributions for Spanish Forces, although both cities are in the axis Balearics Islands-Gibraltar-Canary Islands that is the first concern for Spanish Military Plans.

The exclusion of Centa and Melilla in the Spain-NATO agreements and the United States support to the Moroccan Thesis in the 1975 crisis in the Western Sahara constitute the biggest basis for critics against the North Atlantic Organization and the United States among the Spanish population. (Figure #1).

The intention of the Spanish government to reduce the United States military presence in Spain was first officially pronounced in 1984. On 12 May 1986, the Spanish Minister for Defense met with representatives of the United States government. While the official reason for the visit was to discuss arm sales between the two countries, he also emphasized that the political situation in Spain required a new attitude on the part of the United States regarding the bases. The Spanish government made it clear that it was seeking a substantial reduction in the number of U.S.'s troops based at Zaragoza and the complete "de-Americanization" of the Torrejon air base (close to Madrid). As a result, a new agreement was signed in October 1988 to replace the 1982 Treaty of Friendship, Defense and Cooperation. It includes the asked for Spanish reduction and the withdrawal of U.S. air forces from Torrejon and the Spanish renouncement for money received before as rent for the use of bases. From Spain's viewpoint, the new agreement provides a more equalitarian relationship between two sovereign allies. From the United States side, it allows ships and other means to use Spanish facilities without Spain asking if the weapons they carry are conventional or nuclear .

Spanish policy on FMS has been stated by the "Direccion General de Armamento y Material" (DGAM, Armament & Material General Directorate) from the Spanish Defense Ministry since its creation in 1977. The DGAM has the responsibility for the acquisition of defense material and unifies the different acquisition policies and programs of the three services. DGAM also focuses defense procurement to have the most positive effect on the Spanish industry and economy. The underlying philosophy is to ensure that the highest percentage of defense procurement is done through national resources and to facilitate the transfer of foreign technology to Spanish industry. The efforts by DGAM include the management, Research and Development (R & D),

defense procurement, incentives to Spanish industry, and international collaborative programs. Specifically, the most important points on FMS policy are:

- o DGAM is the unique Spanish organization to manage weapon purchases from other countries.
- o Weapon system procurement should be scheduled for the middle and long term.
- o Arms and material exportation objective is to reach fifty percent of the total Spanish defense item production.
- o Maintenance of weapon systems purchased in foreign countries should be performed in Spain.
- o R & D programs for improving Spanish technology should be developed in coordination with other allied countries, mainly in the European area.

Chart #1 indicates general dependence and command levels in the Spanish Defense Ministry.

ECONOMIC CONSIDERATIONS

Spain is a middle size country in Europe. Its population consists of forty million inhabitants and its size is five hundred thousand square kilometers, a little more than Texas. The Spanish economic power is modest, but its defense expenditures are increasing every year.

Table 2 shows the percentage of GNP (Gross National Product) spent in defense in several countries:

TABLE 2

Defense Expenditures, Percent of GNP

Country	Percent of GNP	
	<u>1984</u>	<u>1986</u>
USA	6.2	6.7
FRANCE	4	3.9
FRG	3.3	3.1
ITALY	2.3	2.2
SPAIN	2.2	2.2

Source: SIPRI. Yearbook 1987.

As we can see neither Italy nor Spain follow the three percent spending goal introduced in 1978 for NATO countries. However, the Spanish military expenditures represent a considerable effort for Spain in the light of the huge unemployment the country endures.

Table 3 shows the Spanish military expenditures and its percentage of the government spending, after adjusting for inflation:

TABLE 3

Spanish military expenditures and percent of government spending

Year	\$ Billions	Percent of Government Spending
1984	4.79	10.2
1985	5.37	9.9
1986	5.48	8.8
1987	6.12	11.2

Source: Fisas Armengol. Spanish Defense Budget 1987.

Table 4 indicates military expenditure per capita for the countries showed in Table 2, in current dollars:

TABLE 4

Military expenditure per capita, in dollars

Country	1984	1986	1987
USA	978	1167	1185
FRANCE	370	513	620
FRG	417	453	560
ITALY	161	235	293
SPAIN	89	113	187

Source: The Military Balance 1988-1989.

As seen in Table 4, the Spanish level of per capita expenditures is similar to Italy, a country closer to Spain in development and standard of living than the USA, France, or Germany.

Table 5 shows the percentage of foreign material purchases over the total of Spanish material purchases and total purchases, in dollars.

TABLE 5

Percentage of foreign material purchases and total amount in billion dollars.

Year	Percent foreign purchases	Billion dollars
1982	34.2	0.35
1985	46.2	0.88
1987	47.3	1.73

Source: INE, Spanish Statistics National Institute, 1988.

The investment in U.S. material is about seventy percent of the Table 5 percentages. The increase of the 1987 figures is due to F-18 Hornet purchases for which payments were scheduled starting in 1986.

Table 6 shows details of Spanish suppliers and some weapon systems purchased from 1985.

TABLE 6

Weapon systems purchased from 1985,
suppliers, and description.

Supplier	Number	Weapon System	Description
Chile	40	T-35	Aircraft
France	18	AS-332	Helicopter
	2000	Hot	Anti-tank Missile (ATM)
	3500	Milan	ATM
	414	Roland	Surface-Air Missile (SAM)
Italy	28	Skyguard	SAM
	200	Aspide	SAM
USA	12	Av-Harrier	Fighter
	6	CH-47D	Helicopter
	72	F-18	Fighter
USA	2	KC-135	Transport
	96	M54-Chaparral	SAM
	20	AGM-Harpoon	SAM
	80	AGM-Harm	SAM
	1760	MIM-72C	SAM
	135	RGM-Harpoon	SAM
	120	RIM-67C	SAM

Source: SIPRI. Yearbook 1987.

As we can see the United States provides more weapon systems than any other country. In short, these tables show:

- o Spain has been spending more and more for modernization program purposes.

- o Spanish level of expenditures is adequate to its size, economic situation and development, and in relation to similar countries.

- o Spain has the possibility of purchasing foreign military equipment, but only high-tech material is of interest for Defense Force Modernization Programs.

INDUSTRIAL CONSIDERATIONS

The Spanish Defense Industrial Program objective is to become self-sufficient in arms production for its own requirements and for export, reducing the imported defense equipment percentage to ten percent of total defense material purchases. Consequently, the money spent on the purchase of foreign weapon systems will be reduced and will be available for procurement from Spanish industries. When Spanish industries cannot be able to meet the requirements, Spanish DGAM will give priority to those purchases which will involve international cooperative programs, especially with European countries. As a last alternative, Spain will procure from abroad while at the same time trying to receive the maximum level of industrial compensation for Spanish producers and advantages in technology transfer. As an example, the purchase of F-18's Hornet involved concessions such as Spanish overhaul and damage repair of U.S. Navy F-18's in the Mediterranean, production of some of the avionics and structural parts for the aircraft, and construction of a factory to build engines and a license for the construction of F-404 engine for the F-18's.

Spain has entered into a number of multinational agreements for joint arms production with other NATO countries with strong arms development and industrial capabilities such as West Germany, France, United Kingdom, and Italy. Current examples of these agreements with France include the possibility of a new main battle tank, the Exocet and Roland missiles and submarines. Other agreements include those with Germany on a 25mm anti-aircraft gun and the Roland missile, those with United Kingdom, Germany, and Italy on a new European combat aircraft, and with the United Kingdom along with Italy and the Netherlands on the TONAL antitank helicopter.

On the other hand, Spanish technology has been expanding for several years. Examples such as a new air cushioned ship called SEB (Surface Effect Boat), that allows a surface speed of about 55 knots, a new Spanish SONAR H60 LF, and an anti-missile weapon system called MEROKA. All these have enabled Spain to join a significant share of the Third World arms market. Spain ranks eighth among world arms exporters to the Third World, with a share of almost two percent of total world sales. Exports are providing most promising with the Middle East, Africa, and Latin-America.

Table 7 shows, in percentages, the share of total arms exports to Third World from European countries:

TABLE 7

Total Arms Exports to Third World, in percentages.

Supplier	1977-81	1982-86
France	12.4	15.1
United Kingdom	5.1	5.3
West Germany	1.7	3.9
Italy	3.3	3.6
Spain	0.2	1.6

Source: SIPRI. Yearbook 1987.

Other developed countries are Spanish Defense Industry customers, too. Europe has purchased 427 million dollars in arms and weapon systems in the 1982-87 period, and U.S. purchases have been 252 million dollars in the same period, without including U.S. ammunition purchases.

U.S. MILITARY FORCES IN SPAIN

The United States military forces in Spain have access to four main bases: The Rota Naval Base, 100 km north-west of Gibraltar on the Atlantic Ocean, and air bases at Zaragoza, 320 km from Madrid or Barcelona, Moron, 25 km of

Seville and 100 km north-east of Rota, and Torrejon, 30 km from Madrid. Besides, they have access to a number of smaller facilities, especially military communications installations. (Figure #2)

Nine thousand Americans, including 5300 Air Force personnel, are stationed in Spain. Rota provides a staying point for U.S. anti-submarine warfare aircraft, and it is also the terminal for the United States Defense Communications System, linked to other facilities in Spain, Italy, and Greece, and to the Sixth Fleet. Moron is a back-up base and Zaragoza is used for fighter training. Torrejon, the second most important U.S. facility in Spain, after Rota, is the home base for a tactical fighter wing that rotates its aircraft through Aviano, Italy, and Incirlik, Turkey. It has been the key point in the new U.S.-Spain agreement approved and signed in October 1988. According to "Raider Magazine", edited for American personnel in Torrejon, 1988 October issue, the movement of U.S. units to Crotone, Italy, that is the new base for the F-16's, has been scheduled over three years extending to May 1991. The details of personnel to be transferred are: 90 percent of 461 officers, 3463 troops, and 664 civilian still stationed there.

U.S. POLICY FOR FMS

The United States policy for FMS to Spain is conducted under the United States general policy for NATO countries regarding the successive agreements between both countries.

General U.S. policy on FMS can be summarized as follows:

- o United States government should encourage arms sale business by the way of commercial companies.
- o FMS should be restricted to specific countries, in order to avoid the diffusion of high-tech equipment.

The United States MAAG, Military Assistance Advisory Group works in Spain since 1953 to assist industrial representatives in FMS. Under the command of USEUCOM, U.S. European Command, and staffed by Army, Navy, and Air Force personnel, the MAAG provided about four billion dollars in economic and military aid during 1953-1974 period. Under the 1982 agreement, the MAAG provided, annually, over four hundred million dollars during 1982-1988 period.

As I mentioned earlier, according to "Ya", a Spanish newspaper, issue of July 29, 1988, Spain will receive no money or credit as rent for the use of bases. This information cannot be confirmed since neither Spain nor the United States have released official data about the details of the 1988 agreement. However, that will not be obstacle for MAAG to continue its function as the assistant to the United States Ambassador in furthering the FMS program and working in close relationship with the Spanish DGAM.

RECOMMENDATIONS

I will summarize my recommendations from the point of view of Spain and the United States. I will cite, first, my recommendations from the Spanish viewpoint:

- o Political military considerations leads one to think about the Spanish position on NATO affairs as a determinant factor for Spanish Force Modernization.

Our mission in the Gibraltar Strait, included in the Strategic Axis defined by the line Balearic Islands - Gibraltar - Canary Islands, supposes that to control it we need a triple modernization, in the Air, on the Sea, and along the Coast. This modernization should contain modern and high-tech equipment especially for the Navy and Air Force. For the Army, to control the

Strait means to deploy modern Coast and Air Defense Artillery along the shore that allows to follow and destroy, when necessary, all hostile traffic.

As a complement of the Gibraltar mission, we should develop and intensify the standardization and interoperability of equipment in the Spanish Forces. In spite of the fact that we are not integrated in the NATO military structure of command we cannot back out of the standardization process which allows NATO a common and better defense and a more rational logistics.

Thirdly, my recommendation is related to the use of Spanish soil as a rear logistical area. To accomplish this, we need to improve port and airfield facilities, mainly along geographical points oriented toward the Atlantic Ocean, as a natural arrival for reinforcements. Also, we need to modernize the Command, Control, and Communications System to use those facilities effectively.

- o The completion of the 1988 agreement between Spain and the United States in relation to the withdrawal of the United States Air Force units in Torrejon is a new challenge for the Spanish Air Force. It must now modernize the installations and use them in the same way the American Forces did. Because of the scheduled withdrawal we cannot delay the substitutions of systems such as ILS - Instrumental Landing System - and others for adequate use of the Torrejon facilities.

- o On the other hand, Spain has enough economic power to spend money in Modernization Force Programs, but it will be hard to increase the current expenditure level due to political, economic, and social pressures. As a result, purchases of expensive and high-tech equipment should be reduced to a minimum, unless agreements on cooperation and coproduction are scheduled between both countries and technology transfer or maintenance accords are

completed. Closer relationship between MAAG and DGAM is recommended to conclude that cooperation.

My recommendations for the United States side are summarized as follows:

- o The IMET program should continue. It is important that Spanish students learn and understand the United States procedures and acquire enough skills to be familiar with U.S. weapon systems, U.S. logistics, and even the United States FMS system.

- o The 1988 new agreement between the two countries should lead to a more friendly and equalitarian relationship which will allow MAAG to present to DGAM proposals such as:

- oo New equipment for improving Spanish Force capabilities.
 - oo Coproduction arrangements and technical transfers of weapon system.
 - oo Planning for facility improvements in ports and airfields for the possible use of Spanish soil as a rear logistical area.

- o Lastly, my recommendation deals with the United States posture concerning the North-African Spanish cities of Ceuta and Melilla. The United States posture in favor of the Spanish thesis would be seen by the Spanish population as a gesture of justice that would provide a psychological pro-American impact. The immediate results would not be tangible, but they could lead to a better mutual understanding, a greater general trade, and, possibly, an increase in the United States material sales to Spain.

CONCLUSION

The exposition of my recommendations shows a clear response to the question initially proposed: FMS to Spain should be increased. The benefits for doing so can be summarized as follows:

- o To Spain:

- oo Higher military capability to ensure and control the strategic axis Balearics - Gibraltar - Canary Islands.

- oo Higher participation in NATO affairs and, therefore, better training and operability for Spanish Forces.

- oo Personnel, equipment, and technology improvements which means development of technicians, installations, and industries.

- oo Higher rate of business and lower unemployment.

- o To the United States:

- oo Greater control, direct and indirect, of the Gibraltar Strait.

- oo Increase of arms and weapon system sales and, consequently, of U.S. industrial business.

- oo Higher international prestige in assisting allies in high-tech capabilities.

- oo Higher psychological influence in the NATO south flank in supporting Spanish population believes.

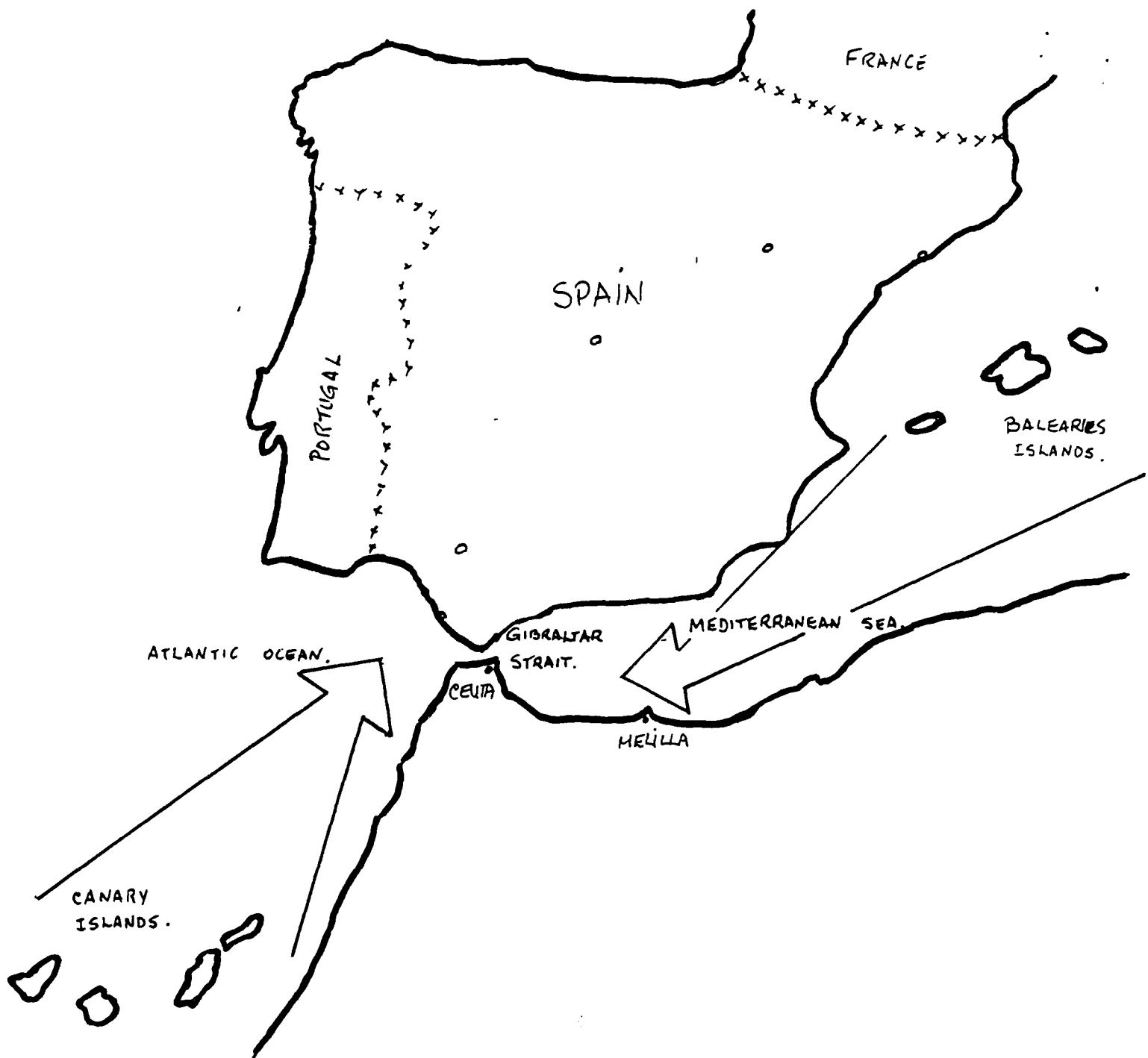


FIGURE #1

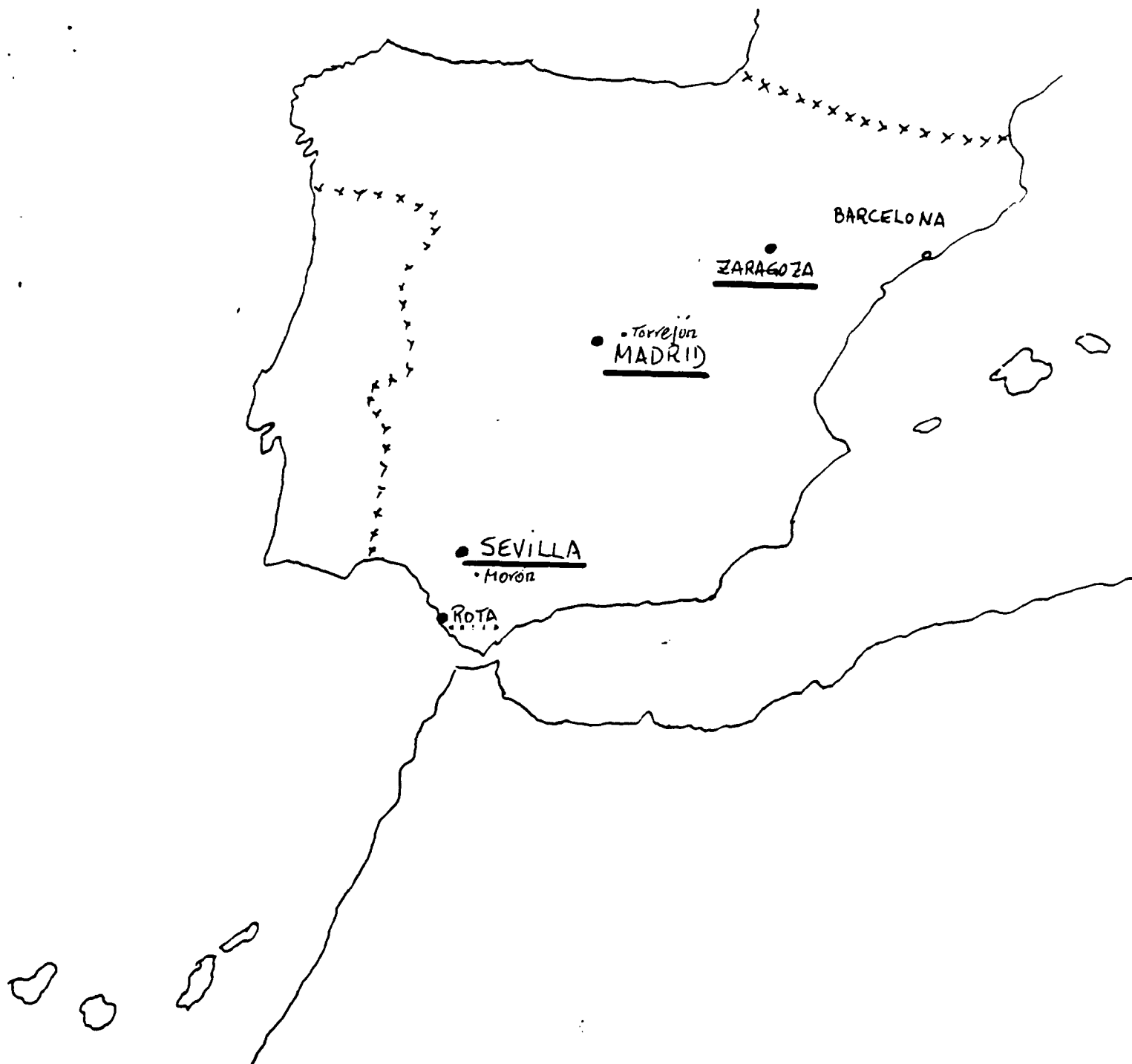
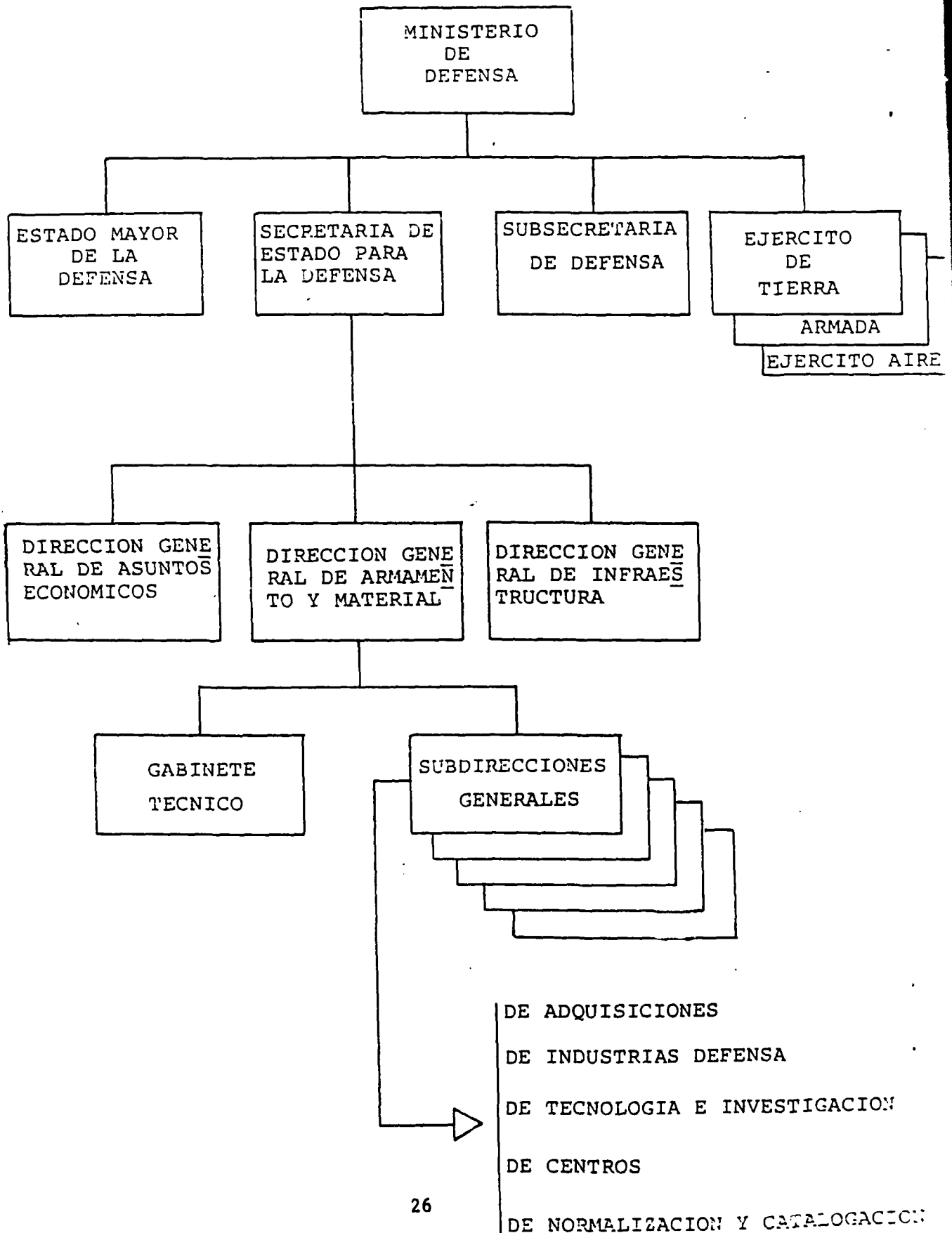


FIGURE #2

..... NAVAL BASE
———— AIR FORCE BASE

ORGANIZACION DEL MINISTERIO DE DEFENSA



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